

## **11 KAR 3:055. Obtaining and repaying a loan.**

RELATES TO: KRS 164.744(1), 164.748(1), (3), (14), 164.753(2), 164.766

STATUTORY AUTHORITY: KRS 13A.100(1), 164.746(6), 164.748(4), 34 C.F.R. 682.401(b)(10)(ii)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 164.744(1) empowers the authority to insure loans to students, provided that the loans meet the criteria of the federal Act. Pub.L. 102-325, enacted July 23, 1992, reauthorized the federal Act and made substantial changes in the insured student loan programs. This administrative regulation is necessary to prescribe the process for obtaining an authority insured student loan.

Section 1. (1) Federal Stafford Loan and Federal SLS Loan Application. Generally, to obtain a subsidized or unsubsidized federal Stafford loan or a federal SLS loan insured by the authority, a student shall complete an application. The form of the application may vary depending upon the method of applying (e.g., electronic application process, combined application and note, or separate application and note). The student shall complete his or her portion of the application by providing at least the following information:

- (a) The student's name, address, and Social Security number;
- (b) The student's citizenship status;
- (c) The student's enrollment status;
- (d) Information on the status of any outstanding student loan indebtedness, including, but not limited to, a certification that the student does not owe repayment of a student grant and is not in default on a student loan;
- (e) A certification that the loan proceeds will be used exclusively to meet the cost of attendance at the participating institution listed on the application; and
- (f) Additional information necessary to demonstrate that the student meets the eligibility requirements set forth in Sections 1 and 5(1) of 11 KAR 3:015.

(2) Federal PLUS Loan program application. Generally, to obtain a federal PLUS loan insured by the authority, an individual shall complete an application. If the loan is to be made to the student's parent(s), both the student and the parent(s) shall complete the application before submitting it to the participating institution. The form of the application may vary depending upon the method of applying (e.g., electronic application process, combined application and note, or separate application and note). The borrower and a student on whose behalf the loan is sought shall provide at least the following information:

- (a) Name, address, and Social Security number of both the borrower and student on whose behalf the loan is sought;
- (b) The citizenship status of both the borrower and student on whose behalf the loan is sought;
- (c) The student's enrollment status;
- (d) Information on the status of any outstanding student loan indebtedness of both the borrower and student on whose behalf the loan is sought, including, but not limited to, a certification that neither the borrower nor the student on whose behalf the loan is sought owes repayment of a student grant or is in default on a student loan;
- (e) A certification that the loan proceeds will be used exclusively to meet the cost of attendance at the participating institution listed on the application; and
- (f) Additional information necessary to demonstrate that both the borrower and the student on whose behalf the loan is sought meet the eligibility requirements set forth in Sections 1 and 5(2) of 11 KAR 3:015.

(3) Federal Consolidation Loan program application. Generally, to obtain a federal Consolidation loan insured by the authority, an applicant shall complete an application, and submit it first to

a participating lender holding at least one (1) of the applicant's eligible loans selected for consolidation. If all of the participating lenders holding the applicant's loans selected for consolidation decline to make a federal Consolidation loan to the applicant, then the applicant may submit the application to any other participating lender. The applicant shall provide at least the following information:

(a) The applicant's name, address, and Social Security number;

(b) Information on the status of any outstanding student loan indebtedness, including, but not limited to, a certification that the applicant does not owe repayment of a student grant and is not in default on a student loan;

(c) Additional information necessary to demonstrate that the applicant meets the eligibility requirements set forth in Section 11 of 11 KAR 3:015.

(4) Applications are available through participating institutions and participating lenders. Applications are also available at the offices of the authority, located in Frankfort, Kentucky, during regular business hours (8 a.m. to 4:30 p.m. Monday through Friday).

(5) The applicant shall submit the completed application form for a federal Stafford loan, federal SLS loan, or a federal PLUS loan to the participating institution for certification, and, after the institution certifies the application, the application shall be submitted to a participating lender of the applicant's choice. If the participating institution transmits its data to the authority electronically, the applicant shall submit the completed application form directly to a participating lender of the applicant's choice.

(6) If the participating lender declines to make the loan, the participating lender shall notify the applicant and shall provide to the applicant any disclosure of adverse action that may be required by federal or state laws, including, but not limited to, the Equal Credit Opportunity Act (15 U.S.C. 1691, et seq.). If the participating lender decides to make the loan, the lender may obtain a loan guarantee from the authority not in excess of the applicable loan maximum set forth in 11 KAR 3:035 only if the applicant qualifies as an eligible borrower pursuant to 11 KAR 3:015.

(7) In addition to an application, an eligible borrower shall execute a promissory note approved by the secretary in order to obtain any authority insured student loan. The promissory note may be contained in the application, or may be a separate form. The terms and conditions of the promissory note may vary, based upon the type of loan sought. The promissory note and supplemental disclosure and loan guarantee notices shall constitute evidence of the loan, and shall state directly or by reference to applicable laws and administrative regulations the borrower's rights and responsibilities. Generally, the borrower shall agree to:

(a) Comply with administrative regulations promulgated by the secretary and the authority; and

(b) Repay the full amount of the loan principal, collection costs chargeable to the borrower, any interest not payable by the secretary, and any other charges authorized pursuant to 11 KAR 3:045; and

(c) Inform the holder of the loan of any change in the borrower's name or address, and, with respect to a federal Stafford loan, any change of enrollment status. (19 Ky.R. 1686; eff. 3-4-93.)